

EXHIBIT L



WILCOX & FETZER LTD.

In the Matter Of:

Drexel

v.

Harleysville Insurance Co.

C.A. # 05-428 (JJF)

RKB
SEP 20 2007

Transcript of:

Mildred D. Alderfer

September 11, 2007

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UNITED STATES
DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE: [Illegible]

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Drexel v. Harleysville Insurance Co.

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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

LAYNE DREXEL,)
)
Plaintiff,)
) Civil Action
v.) No. 05-428 (JJF)
)
HARLEYSVILLE INSURANCE CO.,)
)
Defendant.)

Deposition of Harleysville Insurance Company
taken pursuant to Federal Rule of Civil Procedure
30(b)(6) through its designee MILDRED D. ALDERFER at
the law offices of Smith, Katzenstein & Furlow LLP,
800 Delaware Avenue, 10th Floor, Wilmington, Delaware,
beginning at 2:40 p.m. on Tuesday, September 11, 2007,
before Kurt A. Fetzer, Registered Diplomate Reporter
and Notary Public.

APPEARANCES:

ROBERT K. BESTE, III, ESQ.
SMITH KATZENSTEIN & FURLOW
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Wilmington, Delaware 19899
For the Plaintiff

STEPHEN P. CASARINO, ESQ.
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<p style="text-align: right;">2</p> <p>1 MILDRED D. ALDERFER,</p> <p>2 the deponent herein, having first been</p> <p>3 duly sworn on oath, was examined and</p> <p>4 testified as follows:</p> <p>5 EXAMINATION</p> <p>6 BY MR. BESTE:</p> <p>7 Q. Could you state your name and date of birth for</p> <p>8 the record, please?</p> <p>9 A. Mildred Alderfer. July 26, '49.</p> <p>10 Q. How long have you been an employee of</p> <p>11 Harleysville Insurance Company?</p> <p>12 A. 40 years.</p> <p>13 Q. Do you know approximately when you started?</p> <p>14 A. July 31, '67.</p> <p>15 Q. What position do you currently hold with</p> <p>16 Harleysville?</p> <p>17 A. I'm a manager in the policy support services</p> <p>18 area.</p> <p>19 Q. Is that part of underwriting?</p> <p>20 A. No.</p> <p>21 Q. That's separate from underwriting?</p> <p>22 A. Correct.</p> <p>23 Q. What's the name of it?</p> <p>24 A. Policy support services.</p>	<p style="text-align: right;">4</p> <p>1 A. The criteria that was set up in the system that</p> <p>2 if a payment is late the policy would cancel was part</p> <p>3 of our responsibility.</p> <p>4 For consideration for reinstatement on</p> <p>5 late payment is not our responsibility, but the</p> <p>6 initial notices that went out for non-payment of</p> <p>7 premium would have been from work that we're</p> <p>8 responsible for.</p> <p>9 Q. What part of Harleysville would be responsible</p> <p>10 for reinstatement?</p> <p>11 A. It would be underwriting.</p> <p>12 Q. Are you here today to testify on behalf of the</p> <p>13 underwriting parts of Harleysville?</p> <p>14 A. No.</p> <p>15 Q. Just the policy support services part?</p> <p>16 A. That's correct.</p> <p>17 MR. BESTE: Will Ms. Staton be testifying</p> <p>18 on behalf of the company with respect to underwriting?</p> <p>19 MR. CASARINO: No.</p> <p>20 MR. BESTE: So we don't have an</p> <p>21 underwriting person to testify today?</p> <p>22 MR. CASARINO: No. Because when we looked</p> <p>23 at your notice of deposition, these are not</p> <p>24 underwriting. They're basically policy, they're</p>
<p style="text-align: right;">3</p> <p>1 Q. What does policy support services do?</p> <p>2 A. We have two areas of responsibility. We handle</p> <p>3 the direct bill premium payments. There's a</p> <p>4 remittance processing unit and an output distribution</p> <p>5 unit.</p> <p>6 We also handle the work when it comes off</p> <p>7 the computer and mail it out.</p> <p>8 Q. Say, for example, if a claims agent wanted a</p> <p>9 check mailed, your office would mail the physical</p> <p>10 check?</p> <p>11 A. We do mail claims checks, yes.</p> <p>12 Q. Is the policy support services part of</p> <p>13 Harleysville the division of the company that made the</p> <p>14 decision in this case that this claim should not be</p> <p>15 paid?</p> <p>16 A. We're not part of the claims department. The</p> <p>17 claims department is a different department, but in</p> <p>18 the services area our system is set up that policies</p> <p>19 will terminate or cancel for non-payment of premium,</p> <p>20 so we do get involved from that aspect.</p> <p>21 Q. Was the policy support services part of</p> <p>22 Harleysville responsible for the decision in this case</p> <p>23 that this policy ceased to exist at a certain point or</p> <p>24 whatever word we use for it?</p>	<p style="text-align: right;">5</p> <p>1 basically policy support services. Nothing in there</p> <p>2 is underwriting as far as I can tell.</p> <p>3 MR. BESTE: So your position is that the</p> <p>4 30(b)(6) deposition notice does not call for any</p> <p>5 testimony from underwriting employees?</p> <p>6 MR. CASARINO: No. That's my</p> <p>7 understanding. Originally I thought it was because</p> <p>8 everybody seemed to think underwriting, but this is</p> <p>9 really not underwriting. It's all dealing with policy</p> <p>10 support.</p> <p>11 MR. BESTE: Okay.</p> <p>12 BY MR. BESTE:</p> <p>13 Q. I'm going to show you what's been marked as</p> <p>14 H-23. I think you already have a copy of that.</p> <p>15 MR. CASARINO: That's that one there</p> <p>16 (indicating).</p> <p>17 Q. Have you seen this document before?</p> <p>18 A. Yes.</p> <p>19 Q. Can you tell me when you have seen it?</p> <p>20 A. Well, I saw it today, but I also saw it prior</p> <p>21 to today. I think it was in my file and I know I</p> <p>22 started the file back in May. I'm not sure when I had</p> <p>23 this put in the file.</p> <p>24 I don't recall specifically when I got</p>

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6	<p>1 this particular notice.</p> <p>2 Q. Do you know when you first became aware of this</p> <p>3 claim or lawsuit?</p> <p>4 A. I was asked to pull some things together early</p> <p>5 spring.</p> <p>6 Q. Of 2007?</p> <p>7 A. Mm-hmm. Yes.</p> <p>8 Q. By "some things together," you mean various</p> <p>9 things that were part of your repertoire --</p> <p>10 A. Correct.</p> <p>11 Q. -- or area?</p> <p>12 A. Mm-hmm.</p> <p>13 Q. Why don't I go through the topics listed on</p> <p>14 that deposition notice? Let's go through them one by</p> <p>15 one.</p> <p>16 Did you have any meetings separate and</p> <p>17 apart from meetings with any attorneys --</p> <p>18 A. No.</p> <p>19 Q. -- regarding today's deposition?</p> <p>20 A. No.</p> <p>21 Q. One rule as we go forward. It would be a lot</p> <p>22 easier for the court reporter to take down testimony</p> <p>23 if you try to let me finish the questions. And I tend</p> <p>24 to hesitate a lot, so I know it can be confusing, but</p>	8
7	<p>1 it just makes it easier. It's the most broken rule,</p> <p>2 so don't worry about it.</p> <p>3 You didn't have any meetings with</p> <p>4 management employees or other employees of</p> <p>5 Harleysville regarding your testimony today?</p> <p>6 A. No, I did not.</p> <p>7 Q. You met with Mr. Casarino immediately before</p> <p>8 the deposition today. Is that right?</p> <p>9 A. Yes.</p> <p>10 Q. Did you meet with him at any other time?</p> <p>11 A. I did not meet with him. I had a telephone</p> <p>12 conversation with him.</p> <p>13 Q. Did you have any telephone conversation with</p> <p>14 other employees of Harleysville regarding this</p> <p>15 deposition?</p> <p>16 A. No.</p> <p>17 Q. All right. Let's start with topic number 1 on</p> <p>18 H-23.</p> <p>19 Can you tell me whether you're authorized</p> <p>20 to speak on that subject?</p> <p>21 A. With respect to coverage termination for</p> <p>22 non-payment of premium, yes.</p> <p>23 Q. How about the second topic?</p> <p>24 A. Again, with the payment collection, yes.</p>	9
	<p>1 Q. Third topic?</p> <p>2 A. With respect to, again, non-payment of premium</p> <p>3 or non-payment -- canceling for non-payment of</p> <p>4 premium, yes.</p> <p>5 Q. How about the fourth topic?</p> <p>6 A. Yes, again for non-payment of premium.</p> <p>7 Q. How about the fifth topic?</p> <p>8 A. Claims? No, I would not get involved with</p> <p>9 that.</p> <p>10 Q. How about the sixth topic?</p> <p>11 A. No.</p> <p>12 Q. The seventh topic?</p> <p>13 A. No.</p> <p>14 Q. The eighth topic?</p> <p>15 A. No.</p> <p>16 Q. And finally the ninth topic?</p> <p>17 A. Yes.</p> <p>18 Q. All right. In your current position, do you</p> <p>19 have any employees under your supervision?</p> <p>20 A. Yes.</p> <p>21 Q. How many employees do you supervise?</p> <p>22 A. I have five people that report to me directly</p> <p>23 and two of them are supervisors who have an additional</p> <p>24 22 employees reporting to them.</p>	

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10	<p>1 Q. What's that?</p> <p>2 A. That's a system that's used to print the style</p> <p>3 of paper, the style of form content that we print out.</p> <p>4 It's a system.</p> <p>5 Q. The policy support services, is it a division?</p> <p>6 Is it a section? What is it? What is it called?</p> <p>7 A. It's a department within the services division.</p> <p>8 Q. So the policy support services division is</p> <p>9 where you work?</p> <p>10 A. Correct.</p> <p>11 Q. What involvement -- how about I refer to it as</p> <p>12 the policy support division? Is that fair?</p> <p>13 A. Sure.</p> <p>14 Q. What involvement does the policy support</p> <p>15 division have with interpreting policy provisions?</p> <p>16 A. We would be responsible for those provisions</p> <p>17 that are associated with collecting premium and</p> <p>18 canceling for non-payment of premium.</p> <p>19 We would not have responsibility for</p> <p>20 coverages associated with a policy and that type of</p> <p>21 thing.</p> <p>22 Q. But when we're talking about premium receipts,</p> <p>23 your department has the final say regarding how a</p> <p>24 particular policy provision applies to that aspect of</p>	12	<p>1 bill criteria.</p> <p>2 Q. Now, do you know whether that's the same</p> <p>3 document that's been produced in this litigation?</p> <p>4 A. Yes. Yes.</p> <p>5 MR. CASARINO: It may even have been the</p> <p>6 last document that was marked.</p> <p>7 Q. I'm going to show you H-26. Is that what</p> <p>8 you're referring to?</p> <p>9 A. Yes.</p> <p>10 Q. Are there any other written policies or</p> <p>11 procedures or manuals or anything like that that you</p> <p>12 refer to in carrying out your duties for Harleysville?</p> <p>13 A. Not that I refer to, no.</p> <p>14 Q. Is H-26 a fair representation of the direct</p> <p>15 bill criteria in effect in 2004?</p> <p>16 A. Yes.</p> <p>17 Q. Even though it has a date of May 2006 below it?</p> <p>18 A. Actually, this is the agent's document.</p> <p>19 There's also one that was internal which is dated</p> <p>20 March of 2005. We did not have a copy from 2004, but</p> <p>21 our procedures had not changed.</p> <p>22 MR. CASARINO: Are these two documents</p> <p>23 different?</p> <p>24 THE WITNESS: This (indicating) is the</p>
11	<p>1 a claim?</p> <p>2 A. No. We do not get involved with any type of</p> <p>3 coverage verification for claims.</p> <p>4 Q. Well, there are provisions in Harleysville's</p> <p>5 policy that deal with the impact of late premium</p> <p>6 payments. Is that correct?</p> <p>7 A. Correct. Yes.</p> <p>8 Q. Does your division have final authority with</p> <p>9 respect to the application of those provisions?</p> <p>10 A. We have provisions set up or procedures set up</p> <p>11 that we follow under strict guidelines. Anything over</p> <p>12 and above that, we have to have underwriting approval</p> <p>13 for us to handle beyond the specific guidelines that</p> <p>14 are set up for us.</p> <p>15 Q. What guidelines do you have access to or to</p> <p>16 guide your work?</p> <p>17 A. It's guidelines that tell us we can accept a</p> <p>18 premium payment provided it is received by a due date</p> <p>19 or an extended due date.</p> <p>20 Q. Does that have a title? Is that a document?</p> <p>21 A. It's in our corporate direct bill procedure</p> <p>22 guideline.</p> <p>23 Q. Corporate direct bill procedure guideline?</p> <p>24 A. I think it's actually called corporate direct</p>	13	<p>1 agent document. It's very similar. There's a little</p> <p>2 bit more info in the internal one that we didn't have</p> <p>3 in the agent's document.</p> <p>4 MR. BESTE: Can we mark this one?</p> <p>5 MR. CASARINO: Yes. I thought that was</p> <p>6 the one I sent over to you in the last couple of days.</p> <p>7 MR. BESTE: I thought this (indicating)</p> <p>8 was the one that you sent me.</p> <p>9 MR. CASARINO: I don't think so. I think</p> <p>10 you got this one before, but in any event --</p> <p>11 MR. BESTE: Well, let's mark that as H-27.</p> <p>12 MR. CASARINO: I would appreciate a copy</p> <p>13 of it so I can have a copy.</p> <p>14 (H Deposition Exhibit No. 27 was marked</p> <p>15 for identification.)</p> <p>16 BY MR. BESTE:</p> <p>17 Q. I've marked Exhibit H-27. This is the</p> <p>18 corporate direct bill criteria that establishes</p> <p>19 essentially how you should do your job?</p> <p>20 A. How we should do our job, a lot of which it is</p> <p>21 automated, but it's the processes that we do</p> <p>22 associated with the automated system.</p> <p>23 Q. In 2004 where was the remittance processing</p> <p>24 part of Harleysville located?</p>

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14	<p>1 A. In Harleysville, Pennsylvania, where it is now.</p> <p>2 Q. And any employees handling premium payments</p> <p>3 from an insured would fall in your department?</p> <p>4 A. That's correct.</p> <p>5 Q. Can you explain to me practically the task of</p> <p>6 Harleysville employees who actually receive the</p> <p>7 premium payment envelopes from an insured?</p> <p>8 A. Mm-hmm. The premium payments come into our</p> <p>9 department. They're opened on Opex opening equipment.</p> <p>10 They're run through NCR remittance processing</p> <p>11 equipment which captures an image of the stub and the</p> <p>12 check.</p> <p>13 If the payment comes in with a scannable</p> <p>14 stub, the data is captured from the stub. It is run</p> <p>15 into our billing system that evening and if the master</p> <p>16 is active, the payment is applied.</p> <p>17 If the master is not active or can't be</p> <p>18 matched for one reason, it could be an incorrect</p> <p>19 policy number, it could be paid in full, any of those</p> <p>20 type of situations, that comes out on a report for us</p> <p>21 to look at the following day to determine what we need</p> <p>22 to do with that payment.</p> <p>23 Q. What do you mean by "master"?</p> <p>24 A. Billing master. It's an electronic view that</p>	16
15	<p>1 we have of our activity that occurs on a direct bill</p> <p>2 policy.</p> <p>3 Q. So am I correct that if the computer system</p> <p>4 doesn't flag a particular payment that comes in it's</p> <p>5 sent off to the bank and deposited?</p> <p>6 A. The payments are processed, are opened and run</p> <p>7 through the NCR equipment and deposited to the bank</p> <p>8 the same day.</p> <p>9 The payment activity is then run into our</p> <p>10 billing system in the overnight cycle and that's where</p> <p>11 they're then applied or they go into suspense if they</p> <p>12 can't be applied to be researched the following day.</p> <p>13 Q. Does that mean in all circumstances the checks</p> <p>14 are deposited and then if there's an issue you deal</p> <p>15 with that the next day?</p> <p>16 A. That's correct.</p> <p>17 Q. So there's no mechanism to stop a check from</p> <p>18 being cashed or deposited by Harleysville prior to</p> <p>19 some type of analysis by a Harleysville employee?</p> <p>20 A. That's correct. All checks are deposited</p> <p>21 first.</p> <p>22 Q. And your department gets a report every morning</p> <p>23 on any issues that arose with respect to the prior</p> <p>24 day's payment processing?</p>	17
	<p>1 A. That's correct.</p> <p>2 Q. Do you know what happened when your department</p> <p>3 received the premium payment at issue in this case?</p> <p>4 A. Yes.</p> <p>5 Q. Can you explain to me what happened?</p> <p>6 A. We received a premium payment. It came in with</p> <p>7 a scannable document. It was opened and run through</p> <p>8 our equipment just like I explained. The following</p> <p>9 morning it showed up on a report for us because the</p> <p>10 policy was terminated.</p> <p>11 The remittance processor would have looked</p> <p>12 at the billing master to see if there were any</p> <p>13 messages there from the underwriter authorizing</p> <p>14 reinstatement. If there were no messages there, and</p> <p>15 in this case there were not, the payment was returned</p> <p>16 to the insured and reinstatement was denied because</p> <p>17 the payment was late.</p> <p>18 Q. Do you know when Mr. Drexel's premium in this</p> <p>19 case was received by Harleysville?</p> <p>20 A. Yes. It was received on July 13th. That's the</p> <p>21 date it was imaged.</p> <p>22 Q. And how do you know that?</p> <p>23 A. Because of the date that it shows up in our</p> <p>24 image file.</p>	

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18	<p>1 policy -- I should say it's actually terminated. The</p> <p>2 policy expired. The renewal was not accepted.</p> <p>3 Q. Can you explain to me the difference between</p> <p>4 the terms termination, cancellation and expiration?</p> <p>5 A. When we issue a renewal policy we ask for</p> <p>6 premium by the due date of that renewal term. If the</p> <p>7 premium is not received, we send out an expiration</p> <p>8 notice. If payment is not received, the policy</p> <p>9 terminates or expires as of the expiration date of</p> <p>10 that prior term.</p> <p>11 When you use the term cancellation, that's</p> <p>12 midterm, somebody falls short in payments throughout</p> <p>13 the policy term, that becomes a cancellation. But in</p> <p>14 this case it's a termination because no payment was</p> <p>15 received on the renewal.</p> <p>16 Q. And that is Harleysville's analysis with</p> <p>17 respect to Mr. Drexel's claim?</p> <p>18 A. That's correct.</p> <p>19 Q. So what you just said applies equally to</p> <p>20 Mr. Drexel's policy in this case?</p> <p>21 A. Correct.</p> <p>22 Q. Are those differences between cancellation,</p> <p>23 expiration and termination set forth in Mr. Drexel's</p> <p>24 policy of insurance?</p>	20	<p>1 as Exhibit 28, please.</p> <p>2 (H Deposition Exhibit No. 28 was marked</p> <p>3 for identification.)</p> <p>4 BY MR. BESTE:</p> <p>5 Q. Are you able to identify this document?</p> <p>6 A. Yes.</p> <p>7 Q. What is it?</p> <p>8 A. It is the dec. or declaration page for the</p> <p>9 commercial package policy.</p> <p>10 Q. You're referring to the second page?</p> <p>11 A. Yes.</p> <p>12 Q. Is this the document that you were referring</p> <p>13 to?</p> <p>14 A. Yes. It's a multipage document so, yes, it is.</p> <p>15 This is page 1.</p> <p>16 Q. And by looking at the first page of H-28, are</p> <p>17 you able to identify the package as a whole?</p> <p>18 A. Yes.</p> <p>19 Q. It appears to be Mr. Drexel's policy at issue</p> <p>20 in this case?</p> <p>21 A. I think this is actually a certified policy.</p> <p>22 And when a renewal policy is issued, the only forms</p> <p>23 that are issued with the policy are anything that has</p> <p>24 been changed or has a new expiration date. He would</p>
19	<p>1 A. I would not be able to answer that without</p> <p>2 looking into the policy content, and I do not do that.</p> <p>3 Q. So you have no knowledge of whether the</p> <p>4 distinctions that you've drawn between policy</p> <p>5 cancellation and expiration are set forth in</p> <p>6 Mr. Drexel's policy?</p> <p>7 A. When you refer to Mr. Drexel's policy, I'm not</p> <p>8 quite sure what you're referring to. I do know that</p> <p>9 the renewal policy has a message on it that says the</p> <p>10 policy will continue if payment is received by the</p> <p>11 expiration date, so that is mentioned in there.</p> <p>12 Q. In where?</p> <p>13 A. On the policy declarations page.</p> <p>14 Q. And that is sent to the insured by your</p> <p>15 division?</p> <p>16 A. We issue a copy of that for both the insured</p> <p>17 and the agent, yes.</p> <p>18 Q. Have you reviewed the document that was sent</p> <p>19 out to Mr. Drexel in this case?</p> <p>20 A. I did look at the dec. page, yes.</p> <p>21 Q. I'm going to hand you what's been marked as --</p> <p>22 I don't think I marked the policy yet, did I?</p> <p>23 MR. CASARINO: No.</p> <p>24 MR. BESTE: I'm going to have this marked</p>	21	<p>1 not receive a complete package like this at every</p> <p>2 renewal.</p> <p>3 Q. Is the certified policy that you're looking at,</p> <p>4 is that generated by your department as far as you</p> <p>5 know?</p> <p>6 A. It could be.</p> <p>7 Q. You can't tell?</p> <p>8 A. I can't tell. There's no name on here that</p> <p>9 really lets me know who did it.</p> <p>10 I do know that in our output distribution</p> <p>11 unit there are times that we do put policies together,</p> <p>12 but from here I can't tell if this is one that we did</p> <p>13 or not.</p> <p>14 Q. If I asked you to locate in that policy where</p> <p>15 the distinctions between expiration, termination and</p> <p>16 cancellation are or are not spelled out, would you be</p> <p>17 able to do that?</p> <p>18 A. I would be able to show you the message I was</p> <p>19 referring to on the declarations page.</p> <p>20 Q. But beyond that, you couldn't?</p> <p>21 A. I would have to have someone go through it.</p> <p>22 No, that's not something that I would do.</p> <p>23 Q. And you don't have any expertise in reading the</p> <p>24 policy language in that regard?</p>

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22	<p>1 A. No, I would not.</p> <p>2 Q. What language were you referring to?</p> <p>3 A. I was referring to this message right here</p> <p>4 (indicating) which says the renewal insuring</p> <p>5 agreement.</p> <p>6 Q. And that's on page 472?</p> <p>7 A. Page 2 of the declaration page.</p> <p>8 Q. Okay. During the course of processing</p> <p>9 payments, does your department have any discretion</p> <p>10 whatsoever as to how late premium payments are handled</p> <p>11 by Harleysville?</p> <p>12 A. No. Our guidelines are given to us by the</p> <p>13 underwriting department.</p> <p>14 Q. And you report facts to underwriting and the</p> <p>15 decisions regarding those facts are made exclusively</p> <p>16 by the underwriting department?</p> <p>17 A. They're made by the underwriting department,</p> <p>18 yes.</p> <p>19 Q. Were any notices generated in this case after</p> <p>20 your department generated the premium payment at</p> <p>21 issue?</p> <p>22 A. After we generated the premium payment at</p> <p>23 issue?</p> <p>24 Q. I'm sorry.</p>	24	<p>1 MR. CASARINO: Yes.</p> <p>2 MR. BESTE: I'm going to have this entire</p> <p>3 letter and its contents marked as H-29.</p> <p>4 MR. CASARINO: The entire package?</p> <p>5 MR. BESTE: Yes. It might make it easier</p> <p>6 to go through.</p> <p>7 MR. CASARINO: That includes the guideline</p> <p>8 too, right?</p> <p>9 MR. BESTE: I believe it did, yes.</p> <p>10 (H Deposition Exhibit No. 29 was marked</p> <p>11 for identification.)</p> <p>12 BY MR. BESTE:</p> <p>13 Q. Now I'm showing you what's been marked as H-29.</p> <p>14 And you're referring to page 11 of 14 from</p> <p>15 the fax line, correct?</p> <p>16 A. Correct. Yes.</p> <p>17 Q. If you could explain to me what this letter is.</p> <p>18 A. This letter is advising the insured that the</p> <p>19 policy has not been reinstated and there is no</p> <p>20 coverage.</p> <p>21 Q. And once this letter was generated by your</p> <p>22 department, your department no longer had any</p> <p>23 authority to change the status of this policy?</p> <p>24 A. That's correct.</p>
23	<p>1 Were any notices sent to Mr. Drexel by</p> <p>2 your department after the premium payment at issue was</p> <p>3 processed by your department?</p> <p>4 A. When we processed that late payment, yes, we</p> <p>5 did send a reinstatement denied letter.</p> <p>6 Q. Have you seen that letter recently?</p> <p>7 A. Yes.</p> <p>8 Q. And it was sent to Mr. Drexel?</p> <p>9 A. That's correct.</p> <p>10 MR. BESTE: Do you know where that</p> <p>11 document is, Steve?</p> <p>12 MR. CASARINO: I think it's in that</p> <p>13 package. It might be the last document there.</p> <p>14 Is this (indicating) what you're referring</p> <p>15 to?</p> <p>16 THE WITNESS: Yes.</p> <p>17 MR. BESTE: Which letter you just sent us,</p> <p>18 Steve? This is the letter of September 7th? Is that</p> <p>19 right?</p> <p>20 THE WITNESS: I think that's the one, yes.</p> <p>21 I think that's the one it's in. I think it's right</p> <p>22 before this (indicating).</p> <p>23 MR. CASARINO: I'm not sure. Probably.</p> <p>24 THE WITNESS: Right there (indicating).</p>	25	<p>1 Q. And this letter informs Mr. Drexel that the</p> <p>2 policy was canceled?</p> <p>3 A. That the policy has expired, it was terminated.</p> <p>4 Mr. Drexel also got a termination notice</p> <p>5 from us advising him that the policy had terminated.</p> <p>6 This was a follow-up after that termination notice</p> <p>7 advising him that we could not reinstate.</p> <p>8 Q. This letter uses the word cancellation though,</p> <p>9 does it not?</p> <p>10 A. Yes, it does.</p> <p>11 Q. Was there another letter sent to Mr. Drexel</p> <p>12 indicating something aside from cancellation had</p> <p>13 occurred?</p> <p>14 A. These were the notices he would have received</p> <p>15 advising him of notice of policy expiration.</p> <p>16 Q. And you're referring to page 4 of this exhibit?</p> <p>17 A. Correct.</p> <p>18 Q. H-29.</p> <p>19 Is this notice of policy expiration</p> <p>20 generated by your department?</p> <p>21 A. It's generated by our automated system.</p> <p>22 Q. Without human input?</p> <p>23 A. Correct.</p> <p>24 Q. Can you tell when this was generated?</p>

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26	<p>1 A. This was generated on June 14th of '04 with a</p> <p>2 mailing date of June 15th, '04.</p> <p>3 Q. And how can you verify that this letter was</p> <p>4 sent to Mr. Drexel?</p> <p>5 A. We mailed this type of notice through our</p> <p>6 Gunther automated inserting equipment. We have a log</p> <p>7 in that equipment that shows us the documents that</p> <p>8 have been mailed on a particular day. And we do have</p> <p>9 the log for this showing that it was mailed on the</p> <p>10 15th.</p> <p>11 Q. Does your system notify Harleysville's claims</p> <p>12 employees of this event?</p> <p>13 A. No. Not specifically, no.</p> <p>14 Q. Who at Harleysville does your department notify</p> <p>15 when an event such as this occurs?</p> <p>16 A. This is generated by our automated system. Our</p> <p>17 automated system at that point goes into an expiration</p> <p>18 status. Anybody looking at the billing master can see</p> <p>19 that there's an expiration notice out on that policy.</p> <p>20 Q. Who has access to the billing master?</p> <p>21 A. All employees in the company have access to</p> <p>22 inquiry. Not all have access to entry but they all</p> <p>23 have access to inquiry.</p> <p>24 Q. So any Harleysville employee could have</p>	28	<p>1 A. Correct.</p> <p>2 Q. Do you think that should be changed?</p> <p>3 MR. CASARINO: Objection.</p> <p>4 A. I wouldn't have the authority to say that.</p> <p>5 Q. All right. This is page 6 of 14 in the same</p> <p>6 exhibit. This is your signature at the bottom?</p> <p>7 A. Printed by the computer.</p> <p>8 Q. You don't have to sign hundreds of these every</p> <p>9 day?</p> <p>10 A. No, I don't. Thank goodness.</p> <p>11 Q. This is titled Confirmation of Termination?</p> <p>12 A. Correct.</p> <p>13 Q. Correct?</p> <p>14 A. Mm-hmm.</p> <p>15 Q. And this was issued by your department on July</p> <p>16 7th. Is that correct?</p> <p>17 A. It actually was issued on the 6th, again by the</p> <p>18 automated system generated automatically. No one had</p> <p>19 to initiate it. It was issued on the 6th and it was</p> <p>20 mailed on the 7th.</p> <p>21 Q. How can you prove or show that it was mailed?</p> <p>22 A. We have no postal returns. This particular</p> <p>23 document I do not have a Gunther inserter log because</p> <p>24 at that time it was not 2D bar coded to run through</p>
27	<p>1 ascertained as early as June 14th, 2004 that the</p> <p>2 policy had expired?</p> <p>3 A. Yes.</p> <p>4 Q. But your department does not take any</p> <p>5 affirmative steps to ensure the claims part of</p> <p>6 Harleysville is aware of such an event?</p> <p>7 A. It happens automatically in the system. The</p> <p>8 system updates the billing master and again anybody</p> <p>9 who has access can see that. We do not send out any</p> <p>10 kind of notification separate from what's updated in</p> <p>11 the billing system.</p> <p>12 Q. Are there any safeguards or procedures that</p> <p>13 prevent a claim from being paid or adjusted after an</p> <p>14 event of expiration or termination?</p> <p>15 A. Since I don't work in the claims area, I cannot</p> <p>16 answer that.</p> <p>17 Q. From your perspective though, your department</p> <p>18 does not take any affirmative steps to prevent payment</p> <p>19 of a claim after an event such expiration or</p> <p>20 termination occurs?</p> <p>21 A. Correct.</p> <p>22 Q. And that was the case in 2004?</p> <p>23 A. Correct.</p> <p>24 Q. And it's the case today?</p>	29	<p>1 the equipment because some of these notices are</p> <p>2 handled with proof of mail and others are not, so back</p> <p>3 in 2004 these were mailed manually. They were put in</p> <p>4 envelopes and mailed manually.</p> <p>5 Q. So you cannot point me to any proof of mailing</p> <p>6 with respect to the notices sent to Mr. Drexel in this</p> <p>7 case?</p> <p>8 A. Correct.</p> <p>9 Q. Can you explain to me why your department</p> <p>10 issued both the June 14th notice of policy expiration</p> <p>11 and the July 6th confirmation of termination?</p> <p>12 A. The expiration notice is a courtesy notice</p> <p>13 reminding the insured that their payment is late. If</p> <p>14 they pay by what we're giving a grace period or an</p> <p>15 extended due date, coverage will be continued without</p> <p>16 lapse.</p> <p>17 When you get to the extended due date,</p> <p>18 plus a grace period if payment still is not received,</p> <p>19 we send a notice confirming that the policy has</p> <p>20 terminated and there is no coverage as of the</p> <p>21 expiration date of the policy.</p> <p>22 Q. Looking at the June 14th notice of expiration,</p> <p>23 can you tell me what the grace period was?</p> <p>24 A. We gave him an extended due date of June 30th.</p>

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30	<p>1 Q. I thought you said there was --</p> <p>2 A. In addition to that, we have a five-day grace</p> <p>3 period before we truly confirm for those insureds who</p> <p>4 might mail very close to that date to give mail time</p> <p>5 and process time for us to handle that payment.</p> <p>6 Q. And that's why this confirmation of termination</p> <p>7 was mailed on July 6th?</p> <p>8 A. That's correct.</p> <p>9 Q. Now, the July 6th confirmation of termination</p> <p>10 does not appear to be a computer-generated document in</p> <p>11 its entirety. Is that correct?</p> <p>12 A. No. That is computer-generated.</p> <p>13 Q. So the fact that the third box is checked and</p> <p>14 it looks like the type is different than the type of</p> <p>15 the rest of the document does not mean it was not</p> <p>16 generated by a computer?</p> <p>17 A. That's correct. This notice is used for</p> <p>18 different types of cancellations and terminations and</p> <p>19 depending upon the type that it is, there's a special</p> <p>20 message that is put in here. This (indicating) is all</p> <p>21 preprinted information or canned information that</p> <p>22 shows on every notice.</p> <p>23 This is specific to the condition but,</p> <p>24 again, because this matches this (indicating), it's</p>	32	<p>1 A. That's correct.</p> <p>2 Q. So, for example, on March 14th, 2002 a renewal</p> <p>3 notice was sent to Mr. Drexel?</p> <p>4 A. Correct.</p> <p>5 Q. Are you able to tell from this document when</p> <p>6 the due date was for that premium?</p> <p>7 A. Yes. The due date is right over here. It was</p> <p>8 June 8th. Your renewal and your invoice is issued the</p> <p>9 same day.</p> <p>10 Q. So, for example, the June 11, 2003 renewal</p> <p>11 invoice was sent to Mr. Drexel on June 11th?</p> <p>12 A. Correct.</p> <p>13 Q. And it showed a due date of July 8th?</p> <p>14 A. Correct.</p> <p>15 Q. Now, it looks like Harleysville received</p> <p>16 payment on July 10, 2003?</p> <p>17 A. Correct.</p> <p>18 Q. And that event did not lead to any policy</p> <p>19 termination or cancellation?</p> <p>20 A. That's correct. The renewal was issued late.</p> <p>21 I don't know why. But because the renewal was issued</p> <p>22 late, you still give the insured 20 days to pay, so he</p> <p>23 had his 20 days, plus our grace period. That payment</p> <p>24 was received on time.</p>
31	<p>1 all the same print by the computer.</p> <p>2 Q. Can you tell me what page 7 of H-29 shows?</p> <p>3 A. This is a screen print from our inquiry, direct</p> <p>4 bill inquiry system and this shows the payments that</p> <p>5 we have received from this particular insured. It</p> <p>6 shows the last twelve payments.</p> <p>7 In this case we had only received seven</p> <p>8 payments, but it shows the payment, the date it was</p> <p>9 received and the amount and then if there were any</p> <p>10 associated refunds.</p> <p>11 Q. Is there any question that Harleysville cashed</p> <p>12 Mr. Drexel's \$283 check on June 14th?</p> <p>13 A. No. It was cashed. It was cashed actually on</p> <p>14 the 13th, applied to the billing master on the 14th.</p> <p>15 Q. This page here, in essence, represents the</p> <p>16 final word on payment receipts and processing and that</p> <p>17 type of thing?</p> <p>18 A. Yes.</p> <p>19 Q. And the second page is an additional part of</p> <p>20 that same printout. Is that correct?</p> <p>21 A. That's correct.</p> <p>22 Q. Now, on that second page starting from the</p> <p>23 bottom, the column showing dates, am I correct that</p> <p>24 that indicates when certain events occurred?</p>	33	<p>1 Q. So that July 10th, 2003 payment was received</p> <p>2 after the due date but within the grace period?</p> <p>3 A. That's correct.</p> <p>4 Q. And the entry for June 14th, 2004 is the</p> <p>5 confirmation of termination?</p> <p>6 A. That's actually the expiration notice.</p> <p>7 Q. I'm sorry. The expiration notice?</p> <p>8 A. Yes.</p> <p>9 Q. And then the July 6th entry shows the</p> <p>10 confirmation of -- I don't know what word to use with</p> <p>11 you -- the confirmation of termination?</p> <p>12 A. Correct.</p> <p>13 Q. And what is the entry marked C554-3?</p> <p>14 A. That's actually the form number. You don't</p> <p>15 have it printed on here.</p> <p>16 Oh, yes, we do. Over here. Sorry. C54</p> <p>17 is the actual form number.</p> <p>18 Q. So the two entries, the topmost entries for</p> <p>19 July 6th represent an event, the cancellation and the</p> <p>20 notice sent out to Mr. Drexel?</p> <p>21 A. Correct.</p> <p>22 Q. Can you identify page 9 of H-29?</p> <p>23 A. This is the stub that Mr. Drexel sent in with</p> <p>24 his payment. It's the stub from the expiration</p>

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34	<p>1 notice.</p> <p>2 Here you can see that it issued on the</p> <p>3 14th, was mailed on the 15th. It's the bottom portion</p> <p>4 of the expiration notice that we had sent to him.</p> <p>5 Q. And page 10 represents Mr. Drexel's check?</p> <p>6 A. That's correct.</p> <p>7 Q. If you could kind of remind me what page 11 is.</p> <p>8 A. That's our notice denying reinstatement which</p> <p>9 we sent out when we returned his payment.</p> <p>10 Q. Now, the June 14th notice is titled a notice</p> <p>11 policy expiration. The July 6th notice is titled</p> <p>12 confirmation of termination, but yet in this page 11</p> <p>13 it just says, and I'll quote it, "This policy is</p> <p>14 canceled and will not be reinstated."</p> <p>15 Can you tell me why the word "canceled" is</p> <p>16 used in that document?</p> <p>17 A. This is a document that's used for all</p> <p>18 situations where we're denying reinstatement and we do</p> <p>19 not change the wording on here to fit the various</p> <p>20 situations.</p> <p>21 And I think your insureds probably</p> <p>22 understand canceled as well as terminated or expired,</p> <p>23 but it's a notice that's used in all those situations.</p> <p>24 Q. Mr. Drexel's policy was not in any type of</p>	36	<p>1 be sent to the mortgage company or escrow agent and</p> <p>2 not the insured?</p> <p>3 A. No.</p> <p>4 Q. Now I'm going to ask you a question about the</p> <p>5 tolerance section of the corporate direct criteria.</p> <p>6 I'm sorry. I think I'm going to have to show you</p> <p>7 H-27.</p> <p>8 I take that back. H-26. It's page 3 of 7</p> <p>9 on H-26. There's a section labeled Tolerances.</p> <p>10 Within that section there's a paragraph entitled</p> <p>11 Reinstatement.</p> <p>12 Can you explain to me what that paragraph</p> <p>13 states?</p> <p>14 A. When we issue an invoice, the insured is billed</p> <p>15 for an amount of premium and also for installment</p> <p>16 fees. There are times when a payment is late, but it</p> <p>17 crosses in the mail with our expiration notice or</p> <p>18 non-pay notice and we will reinstate the policy with a</p> <p>19 payment if it's short just the fee amount.</p> <p>20 Q. In other words, the installment fee amount?</p> <p>21 A. That's correct.</p> <p>22 Q. Does your department have any discretion</p> <p>23 otherwise or is that what it is instructed to do?</p> <p>24 A. That's actually in the automated system. The</p>
35	<p>1 electronic payment situation, was it?</p> <p>2 A. No, it was not.</p> <p>3 Q. You were receiving paper checks from</p> <p>4 Mr. Drexel?</p> <p>5 A. Yes.</p> <p>6 Q. Can you tell me whether that's the case for the</p> <p>7 entire life of the policy?</p> <p>8 A. That we received checks?</p> <p>9 Q. Yes.</p> <p>10 A. Yes, we did.</p> <p>11 Q. Was there a point in time when Mr. Drexel's</p> <p>12 premium was being paid out of an escrow account</p> <p>13 associated with the mortgage as far as you know?</p> <p>14 A. Not that I'm aware of. I did not go back to</p> <p>15 2002 to look at that. Not that I'm aware of.</p> <p>16 Q. During the time period when a policy is being</p> <p>17 paid out of an escrow account associated with a</p> <p>18 mortgage, how does that change who Harleysville gives</p> <p>19 notice to of policy events?</p> <p>20 A. If there's another payer on the policy, they</p> <p>21 would get copies of all associated invoices, notices</p> <p>22 of expiration, confirmation. They would receive all</p> <p>23 the same notices that the insured receives.</p> <p>24 Q. Are there any circumstances where notices would</p>	37	<p>1 system will automatically reinstate if the payment is</p> <p>2 on time and it's within the premium, less the fee</p> <p>3 amount. That's logic that's built into the system.</p> <p>4 Q. And the employees of your department don't have</p> <p>5 the ability or authority to change that aspect of the</p> <p>6 system?</p> <p>7 A. That's correct.</p> <p>8 Q. If you look further down on that page, it's the</p> <p>9 last sentence. Can you explain that? It says, "If</p> <p>10 renewal is issued late, multiple installments may be</p> <p>11 due at initial due date."</p> <p>12 Can you explain what that sentence means?</p> <p>13 A. We always give our insureds 20 days to pay</p> <p>14 their premium. If the policy -- and your first</p> <p>15 installment is due on the renewal effective date. If</p> <p>16 you're, say, on a nine pay or ten pay, your second</p> <p>17 installment is due the second month, the third</p> <p>18 installment the third month.</p> <p>19 If your renewal is issued late and you're</p> <p>20 already into the first month, in order to give a</p> <p>21 20-day due date you may have to bill for two</p> <p>22 installments due initially or three depending on how</p> <p>23 late your renewal is issued.</p> <p>24 Q. Does your department actually issue premium</p>

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38	<p>1 invoices to the insured?</p> <p>2 A. It's all within the automated system. It's all</p> <p>3 automated. There's logic built into the system.</p> <p>4 Q. Who controls the logic with respect to language</p> <p>5 on premium invoices sent to insureds?</p> <p>6 A. That would be my area along with underwriting</p> <p>7 and our law department.</p> <p>8 Q. Are there many different forms that can go out</p> <p>9 to an insured when you send a premium payment or is</p> <p>10 there one master form that Harleysville sends out to</p> <p>11 all homeowner's policies in a given year?</p> <p>12 Do you understand what I'm asking you?</p> <p>13 A. The invoice is the same for all insureds. Now,</p> <p>14 your renewal invoice might have a different message on</p> <p>15 it than your interim invoice would have, but it's all</p> <p>16 on the same form.</p> <p>17 Q. But all of the interim renewal notices or</p> <p>18 renewal notices or premium invoices would be the same</p> <p>19 collectively?</p> <p>20 A. Correct. All printed on the same form.</p> <p>21 Q. How frequently does Harleysville, in particular</p> <p>22 your department, change the content of those forms?</p> <p>23 A. Not often at all.</p> <p>24 Q. And you do take part in that process when it</p>	40	<p>1 Q. So the cancellation for non-payment of premium</p> <p>2 can only occur during the course of an active policy</p> <p>3 period as opposed to a renewal date?</p> <p>4 A. That's correct.</p> <p>5 Q. Are you aware of any language in Mr. Drexel's</p> <p>6 policy that delineates that distinction?</p> <p>7 A. I would not be aware of that, no.</p> <p>8 Q. And who at Harleysville would be able to</p> <p>9 testify regarding such language or provisions?</p> <p>10 A. That would have to be the underwriting</p> <p>11 department.</p> <p>12 Q. Does your department have any discretion</p> <p>13 whatsoever in identifying a particular event as either</p> <p>14 an expiration or a cancellation for non-payment of</p> <p>15 premium?</p> <p>16 A. Again, that's all within the automated system.</p> <p>17 There's logic built into the system for when a policy</p> <p>18 will expire versus non-pay.</p> <p>19 Q. Aside from adjustments to the system's logic,</p> <p>20 there is no human input?</p> <p>21 A. That's correct.</p> <p>22 Q. How frequently do you adjust the logic of the</p> <p>23 system? Is it just as needed?</p> <p>24 A. Correct.</p>
39	<p>1 occurs?</p> <p>2 A. Yes.</p> <p>3 Q. If you could turn to page 5 of H-26.</p> <p>4 Can you explain to me the language</p> <p>5 regarding Notice of Cancellation for Non Payment of</p> <p>6 Premium section?</p> <p>7 A. We again have built within our automated system</p> <p>8 a cancellation process for mid-term cancellations</p> <p>9 where our system checks for policy equity and looks at</p> <p>10 the premium that has been paid and for the amount of</p> <p>11 time that we have provided coverage for that premium</p> <p>12 payment.</p> <p>13 Whenever we get into state required number</p> <p>14 of days and equity, we will send out a midterm notice</p> <p>15 of cancellation for non-payment of premium giving</p> <p>16 state required number of days notice and again a</p> <p>17 five-day grace period.</p> <p>18 Q. Can you explain to me the difference between</p> <p>19 what happened to Mr. Drexel's policy and a</p> <p>20 cancellation for non-payment of premium?</p> <p>21 A. A cancellation for non-payment of premium</p> <p>22 occurs in the middle of a policy term. It's midterm.</p> <p>23 Mr. Drexel's was at the beginning of his</p> <p>24 policy term. He had not accepted the renewal.</p>	41	<p>1 Q. Can you tell me roughly how frequently that is</p> <p>2 needed?</p> <p>3 A. It's infrequent and it depends on when we get</p> <p>4 new guidelines from various states, rules, regulations</p> <p>5 change, number of days notice change, wording for</p> <p>6 forms require a change. We might go in and make those</p> <p>7 changes, but that's again all associated with the</p> <p>8 non-pay, the legal notice of non-pay, notice of</p> <p>9 cancellation for non-payment of premium.</p> <p>10 Q. Is Harleysville required to give notice of</p> <p>11 expiration or cancellation prior to the effective date</p> <p>12 of a policy's cancellation or expiration?</p> <p>13 A. You're required to give notice for a</p> <p>14 cancellation for non-payment of premium.</p> <p>15 There is no requirement that I'm aware of</p> <p>16 for notice of expiration. That's a courtesy notice,</p> <p>17 something that we extend to our customers.</p> <p>18 MR. BESTE: Can I have this marked as</p> <p>19 Exhibit 30, please?</p> <p>20 (H Deposition Exhibit No. 30 was marked</p> <p>21 for identification.)</p> <p>22 BY MR. BESTE:</p> <p>23 Q. Are you able to identify H-30?</p> <p>24 A. Yes.</p>

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42	<p>1 Q. What is it?</p> <p>2 A. It's a renewal invoice.</p> <p>3 Q. Is this the renewal invoice sent to Mr. Drexel</p> <p>4 by your department on March 26th, 2004?</p> <p>5 A. This particular invoice was mailed with the</p> <p>6 policy. The agent had the agent's mail option, so the</p> <p>7 invoice and the insured's copy of the policy would</p> <p>8 have been delivered to the agent for him to forward to</p> <p>9 the insured.</p> <p>10 Q. What steps does Harleysville take to ensure</p> <p>11 that the agent fulfills his responsibility by</p> <p>12 forwarding the policy materials to the insured?</p> <p>13 A. The agent is a representative of our company</p> <p>14 and that's his responsibility. If he elects the</p> <p>15 mailing option, it's his responsibility to deliver it</p> <p>16 to the customer.</p> <p>17 Q. Are you able to verify whether or not</p> <p>18 Mr. Drexel's agent forwarded his policy materials to</p> <p>19 him in March of 2004?</p> <p>20 A. I would not be able to do that, no.</p> <p>21 Q. Does your department control the actual</p> <p>22 language that is placed on this premium notice?</p> <p>23 A. There again, that would be my area along with</p> <p>24 our law department and underwriting. It's an</p>	44	<p>1 of our notices.</p> <p>2 Q. But this is, in fact, a policy renewal notice,</p> <p>3 is it not?</p> <p>4 A. Yes, it is.</p> <p>5 Q. So the paragraph labeled Late Payments was</p> <p>6 instructing Mr. Drexel what the potential consequences</p> <p>7 of him not paying this March 26th, 2004 premium</p> <p>8 invoice in a timely manner?</p> <p>9 A. Correct. It's telling him that he may not have</p> <p>10 coverage if he doesn't pay on time.</p> <p>11 Q. But it's telling him that the policy may be</p> <p>12 canceled for non-payment of premium. Isn't that</p> <p>13 correct?</p> <p>14 A. Right.</p> <p>15 Q. And it does not draw any distinction between</p> <p>16 cancellation or expiration?</p> <p>17 A. No, it does not.</p> <p>18 Q. Again, this was a renewal premium invoice sent</p> <p>19 to Mr. Drexel?</p> <p>20 A. Yes, it was.</p> <p>21 Q. I'm going to show you page 481 of H-28.</p> <p>22 MR. CASARINO: You call it page 481? I'm</p> <p>23 sorry?</p> <p>24 MR. BESTE: That's the Bates number.</p>
43	<p>1 associated effort.</p> <p>2 Q. How involved are you with the selection and</p> <p>3 placement of language in premium invoices such as</p> <p>4 this?</p> <p>5 A. I can make the recommendation but, again, it's</p> <p>6 a group that would actually look at it and decide what</p> <p>7 changes we did want to make or not make.</p> <p>8 Q. Your department makes a recommendation to legal</p> <p>9 and underwriting?</p> <p>10 A. Right. Marketing may even get involved. It</p> <p>11 just depends on what type of wording anybody has</p> <p>12 recommended that we change where that's being looked</p> <p>13 at.</p> <p>14 Q. If you look at page 2 of H-30, there's a</p> <p>15 paragraph there entitled Late Payments.</p> <p>16 Can you explain to me what that paragraph</p> <p>17 means from the perspective of your department?</p> <p>18 A. Again, it's emphasizing that payment must be</p> <p>19 received by the due date for continuous coverage. If</p> <p>20 not, we could be issuing notices of cancellation.</p> <p>21 Q. Why does this language speak about a notice of</p> <p>22 cancellation for non-payment of premium versus a</p> <p>23 notice of expiration or something to that effect?</p> <p>24 A. It's just a standard message that's on the back</p>	45	<p>1 MR. CASARINO: What's the actual number?</p> <p>2 Okay.</p> <p>3 BY MR. BESTE:</p> <p>4 Q. Can you explain paragraph A to me, please?</p> <p>5 A. I'm not sure that I should be interpreting</p> <p>6 this. This is not my area of responsibility.</p> <p>7 Q. That would be underwriting's responsibility?</p> <p>8 A. Right. I mean, it says the insured can request</p> <p>9 cancellation of the policy.</p> <p>10 Q. Comparing that language with the late payment</p> <p>11 paragraph on the March 26th, 2004 renewal notice, is</p> <p>12 it fair to say that those two paragraphs appear to</p> <p>13 coincide or match one another?</p> <p>14 A. Well, your paragraph A is the customer</p> <p>15 requesting cancellation.</p> <p>16 Q. A2.</p> <p>17 A. Okay. A2 is referring to midterm cancellation.</p> <p>18 I don't know that it's referring to expiration, but</p> <p>19 again I should not be interpreting that. It's not my</p> <p>20 area of responsibility.</p> <p>21 Q. Again, that's underwriting's responsibility?</p> <p>22 A. That's correct.</p> <p>23 Q. Are you familiar with the term non-pay status?</p> <p>24 A. Yes.</p>

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46	<p>1 Q. What does that mean to you?</p> <p>2 A. A non-pay status is when a policy is in the</p> <p>3 status of non-payment.</p> <p>4 Q. And that essentially prevents a payment from</p> <p>5 being issued on a claim under that policy?</p> <p>6 A. Correct.</p> <p>7 Q. Does your department control under any</p> <p>8 circumstances when a policy is put into non-payment?</p> <p>9 A. That's, again, generated by the system. You</p> <p>10 send out an invoice. You have a due date. If it's</p> <p>11 not paid on time, it goes into a non-pay status and</p> <p>12 then that's all generated by the system.</p> <p>13 Q. But it's your department's system that you're</p> <p>14 referring to?</p> <p>15 A. Yes.</p> <p>16 Q. So in the first instance at least it's</p> <p>17 controlled by your department?</p> <p>18 A. The logic that we have in the system, yes.</p> <p>19 Q. And the only people with authority to override</p> <p>20 that logic is underwriting?</p> <p>21 A. Correct.</p> <p>22 Q. Does your department's computer system control</p> <p>23 the effective dates of termination and cancellation</p> <p>24 and expiration as well?</p>	48	<p>1 is?</p> <p>2 A. I believe he works in one of our field offices.</p> <p>3 Q. Do you know in what department or division?</p> <p>4 A. No, I'm sorry, I don't.</p> <p>5 Q. Do you know whether he works for underwriting?</p> <p>6 A. I would not be positive. He's not someone that</p> <p>7 I work with regularly.</p> <p>8 Q. Do you have any involvement with notices or</p> <p>9 correspondence sent by the claims department to an</p> <p>10 insured?</p> <p>11 A. No, I do not.</p> <p>12 Q. I'm going to show you what's been marked as</p> <p>13 Exhibit H-19.</p> <p>14 Are you able to identify that document?</p> <p>15 A. That's a policy system audit trail which I</p> <p>16 occasionally look at.</p> <p>17 Q. Is that something that's controlled by your</p> <p>18 department?</p> <p>19 A. No, it is not.</p> <p>20 Q. Do you have access to that information?</p> <p>21 A. I can look at it on inquiry, yes.</p> <p>22 Q. Do you know who else at Harleysville has access</p> <p>23 to that data?</p> <p>24 A. Anyone in the underwriting or services area</p>
47	<p>1 A. That's underwriting providing information for</p> <p>2 us from the various insurance departments that give us</p> <p>3 the state required number of days notice so, again, we</p> <p>4 work along with underwriting in making sure that our</p> <p>5 system has the appropriate time frames.</p> <p>6 Q. But, again, that work with underwriting is</p> <p>7 built into the logic of your computer system at any</p> <p>8 given time?</p> <p>9 A. That's correct.</p> <p>10 Q. There's no case-by-case interaction between</p> <p>11 your department and underwriting with respect to</p> <p>12 processing a particular payment?</p> <p>13 A. No. No. That is all in the system.</p> <p>14 Q. Going back to this, let me show you what's been</p> <p>15 marked as H-6.</p> <p>16 Are you able to identify that document?</p> <p>17 A. No. It's not a document that my area works</p> <p>18 with.</p> <p>19 Q. It's not a document that your area processes?</p> <p>20 A. No.</p> <p>21 Q. And you have never seen a document such as</p> <p>22 this?</p> <p>23 A. No.</p> <p>24 Q. Do you know who Robert Southard or Bob Southard</p>	49	<p>1 would have access to inquiry of that data if they</p> <p>2 would need to.</p> <p>3 Q. Do you know who controls this information</p> <p>4 reflected in H-19?</p> <p>5 A. That would have to be between underwriting and</p> <p>6 the commercial lines services and IT areas.</p> <p>7 Q. And as far as you know, the employees in your</p> <p>8 department did not control or change any of the</p> <p>9 information shown on this document?</p> <p>10 A. No. We do not have access to change that. We</p> <p>11 only have access to inquiry.</p> <p>12 Q. When you say that, that just means to get more</p> <p>13 information about certain subjects?</p> <p>14 A. We can view the data that's there, but we</p> <p>15 cannot go in and change anything.</p> <p>16 Q. As far as your department is concerned, can</p> <p>17 Harleysville retroactively terminate coverage or allow</p> <p>18 it to expire?</p> <p>19 MR. CASARINO: I'm not sure I understand</p> <p>20 your question.</p> <p>21 A. I'm trying to think how to answer that. I'm</p> <p>22 not sure I understand that.</p> <p>23 Q. Well, in this case the renewal date was June</p> <p>24 8th. Is that correct?</p>


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50	<p>1 A. Yes.</p> <p>2 Q. And your department did not receive</p> <p>3 Mr. Drexel's premium payment until July 13th. Is that</p> <p>4 correct?</p> <p>5 A. That's correct.</p> <p>6 Q. Can you explain to me the status of</p> <p>7 Mr. Drexel's policy between those two events?</p> <p>8 A. It would have been in expiration status.</p> <p>9 Q. And what does that mean?</p> <p>10 A. That means that notice has gone out that no</p> <p>11 payment has been received and we have offered an</p> <p>12 extended due date.</p> <p>13 Q. And if you do not get premium payment prior to</p> <p>14 the expiration of the grace period following the</p> <p>15 expiration or the due date, then the policy is</p> <p>16 automatically canceled?</p> <p>17 A. Correct.</p> <p>18 Q. Or terminated?</p> <p>19 A. It's terminated, right.</p> <p>20 MR. BESTE: Okay. That's all I have.</p> <p>21 MR. CASARINO: I have a couple of</p> <p>22 questions for you.</p> <p>23 BY MR. CASARINO:</p> <p>24 Q. Let's deal with the premium invoice that is</p>	52	<p>1 MR. BESTE: I'm just noting it for the</p> <p>2 record.</p> <p>3 A. This message prints on the back of all invoices</p> <p>4 that go out so, yes, it would be on each individual</p> <p>5 invoice.</p> <p>6 Q. Now let me ask you about the notice of policy</p> <p>7 expiration to make sure I understand it.</p> <p>8 You said your review of the document</p> <p>9 indicates that this actually went out to Mr. Drexel?</p> <p>10 A. That's correct.</p> <p>11 Q. And do we know that he got it?</p> <p>12 A. That we would not know, other than we have no</p> <p>13 postal return so we have to assume that he received</p> <p>14 it, yes.</p> <p>15 Q. But you also mentioned earlier that your system</p> <p>16 is set up so that when a check and receipt are</p> <p>17 received, they go into a system that makes a copy?</p> <p>18 A. Correct.</p> <p>19 Q. Now, you have produced as document 914 the</p> <p>20 bottom portion of this document that's called notice</p> <p>21 of policy expiration?</p> <p>22 A. That's correct.</p> <p>23 Q. Where did you get this?</p> <p>24 A. He sent it to us, so I guess he received it.</p>
51	<p>1 marked twice. We will look at the one that's marked</p> <p>2 as H-30.</p> <p>3 It has on the front due dates for partial</p> <p>4 payments for the entire policy period. Is that</p> <p>5 correct?</p> <p>6 A. That's correct.</p> <p>7 Q. So this premium notice, if I'm reading it</p> <p>8 correctly, tells the insured the total amount of his</p> <p>9 premium, how much must be paid by June 6, '04?</p> <p>10 MR. BESTE: Objection.</p> <p>11 A. It's June 8th.</p> <p>12 Q. June 8th, '04. And then it has a schedule of</p> <p>13 when payments are made or to be made?</p> <p>14 A. Correct.</p> <p>15 Q. I notice the document behind that where it</p> <p>16 talks about late payments, does that refer also to</p> <p>17 these various payments that are to be made?</p> <p>18 MR. BESTE: Objection.</p> <p>19 MR. CASARINO: What's the objection?</p> <p>20 MR. BESTE: Well, I think it calls for a</p> <p>21 legal conclusion about the effect of that clause.</p> <p>22 MR. CASARINO: Okay.</p> <p>23 BY MR. CASARINO:</p> <p>24 Q. Is that also included?</p>	53	<p>1 Q. All right. So, in other words, the bottom</p> <p>2 portion of this notice called the notice of policy</p> <p>3 expiration was sent back to Harleysville with</p> <p>4 Mr. Drexel's check that's dated 6-7-04?</p> <p>5 A. That's correct.</p> <p>6 Q. So in order for you to have this in your file</p> <p>7 it had to have been returned to you by Mr. Drexel?</p> <p>8 A. That's correct.</p> <p>9 Q. Are there any other types of documents that</p> <p>10 would have been sent to Mr. Drexel advising him of his</p> <p>11 premium that is due other than the documents that you</p> <p>12 sent out?</p> <p>13 A. Not that would have been sent by Harleysville,</p> <p>14 no.</p> <p>15 Q. You're saying the agent might have sent</p> <p>16 something?</p> <p>17 A. He could have sent something. That would have</p> <p>18 been all Harleysville would have sent. The agent</p> <p>19 could have sent him something else. That was all that</p> <p>20 Harleysville would have sent.</p> <p>21 Q. So if Mr. Drexel testified that he received a</p> <p>22 document telling him that his premium was due, it's</p> <p>23 going to be one of the documents that you sent to him</p> <p>24 or perhaps the premium invoice?</p>

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54	<p>1 MR. BESTE: Objection.</p> <p>2 Q. Is that correct?</p> <p>3 A. Correct.</p> <p>4 Q. And we know that he got the notice of policy</p> <p>5 expiration because he sent the bottom portion back?</p> <p>6 MR. BESTE: Objection.</p> <p>7 A. Correct.</p> <p>8 Q. Now let me ask you about the extended date of</p> <p>9 June 30, 2004.</p> <p>10 What is the reason for extending the date?</p> <p>11 A. It's a reminder notice to the customer and</p> <p>12 we're giving them a second opportunity to pay their</p> <p>13 renewal premium.</p> <p>14 Q. Now, what does your computer state between June</p> <p>15 8, 2004 and June 30, 2004?</p> <p>16 A. If you look at that policy on our billing</p> <p>17 system, it will say that it's in expiration status.</p> <p>18 Q. Expiration status?</p> <p>19 A. Yes.</p> <p>20 Q. I believe that there's been testimony by Sherry</p> <p>21 Clodfelter that when she checked the computer it said</p> <p>22 active.</p> <p>23 A. She probably looked in the policy system.</p> <p>24 Q. What is the policy system?</p>	56	<p>1 been able to tell if they looked in the right place of</p> <p>2 their computer system that this policy had been</p> <p>3 terminated or expired or canceled?</p> <p>4 A. That's correct.</p> <p>5 Q. The notice of expiration that we were just</p> <p>6 talking about, was this issued directly by</p> <p>7 Harleysville or was this issued by an agent?</p> <p>8 A. That's by Harleysville.</p> <p>9 Q. And it's issued directly to the insured and the</p> <p>10 agent?</p> <p>11 A. Yes.</p> <p>12 Q. Mr. Casarino asked you a few questions about</p> <p>13 the late payments paragraph on the second page of</p> <p>14 H-30. Is that correct?</p> <p>15 A. Correct.</p> <p>16 Q. And he asked you whether it applied to the</p> <p>17 various installment dates listed on the first page.</p> <p>18 Do you see anything in this document that</p> <p>19 draws a distinction between the first due date of June</p> <p>20 8, 2004 and any subsequent due dates listed on the</p> <p>21 document?</p> <p>22 A. I'm sorry. I don't understand your question.</p> <p>23 Q. I believe you testified that the late payments</p> <p>24 provision applies to these due dates listed on the</p>
55	<p>1 A. The policy system is your system that shows</p> <p>2 your policy detail, your coverages, your premiums and</p> <p>3 that type of thing. That's the policy system.</p> <p>4 Then we also have a billing system. This</p> <p>5 particular activity took place in the billing system.</p> <p>6 Q. All right. Now let's go to the policy system.</p> <p>7 The policy system is a system that an</p> <p>8 agent would look at? Not an agent but an adjuster?</p> <p>9 A. Adjuster would look at it. They can look at</p> <p>10 either system. I do think they more regularly look at</p> <p>11 the policy system because they're also looking for the</p> <p>12 types of coverages associated with that policy.</p> <p>13 Q. Would the policy system indicate that the</p> <p>14 policy was active if they looked at it, for instance,</p> <p>15 on June 22nd?</p> <p>16 A. Yes.</p> <p>17 Q. And when would that system be changed to</p> <p>18 inactive?</p> <p>19 A. July 6th when our confirmation of termination</p> <p>20 was issued.</p> <p>21 MR. CASARINO: I have nothing else.</p> <p>22 BY MR. BESTE:</p> <p>23 Q. Just to follow up on that last question, so as</p> <p>24 early as July 6th, 2004 claims employees would have</p>	57	<p>1 front page?</p> <p>2 A. It prints on all invoices. So when we send an</p> <p>3 invoice out for any subsequent installments on a</p> <p>4 particular policy, that same message would print on</p> <p>5 the back of the invoice.</p> <p>6 Q. But did you testify that that paragraph applies</p> <p>7 to the various dates listed here?</p> <p>8 A. What I meant to say was that it prints on all</p> <p>9 premium invoices. So when you send a premium invoice</p> <p>10 out for any subsequent installment, that same message</p> <p>11 is there.</p> <p>12 Q. Do you have any reason to believe that this</p> <p>13 late payment provision did not apply to the payment</p> <p>14 purportedly due on June 8th, 2004?</p> <p>15 A. I'm not sure I understand your question, again.</p> <p>16 Sorry.</p> <p>17 Q. Do you have any reason to believe that the late</p> <p>18 payments paragraph on page 2 does not apply to the</p> <p>19 premium due on June 8, 2004?</p> <p>20 A. To me the late payment message applies to any</p> <p>21 invoice that goes out that if you don't pay by the due</p> <p>22 date there's going to be a consequence.</p> <p>23 Q. And in this case this notice informs Mr. Drexel</p> <p>24 that it would be a cancellation for non-payment of</p>

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<div style="text-align: right;">58</div> <p>1 premium, correct?</p> <p>2 A. It does say that, yes.</p> <p>3 MR. BESTE: That's all I have.</p> <p>4 MR. CASARINO: We would like to waive.</p> <p>5 (Deposition concluded at 4:05 p.m.)</p> <p>6</p> <p>7</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p>	<div style="text-align: right;">60</div> <p>1 State of Delaware)</p> <p>2)</p> <p>3 New Castle County)</p> <p>4</p> <p style="text-align: center;">CERTIFICATE OF REPORTER</p> <p>5 I, Kurt A. Fetzer, Registered Diplomate</p> <p>6 Reporter and Notary Public, do hereby certify that</p> <p>7 there came before me on Tuesday, September 11, 2007,</p> <p>8 the deponent herein, MILDRED D. ALDERFER, who was duly</p> <p>9 sworn by me and thereafter examined by counsel for</p> <p>10 the respective parties; that the questions asked of</p> <p>11 said deponent and the answers given were taken down by</p> <p>12 me in Stenotype notes and thereafter transcribed by</p> <p>13 use of computer-aided transcription and computer</p> <p>14 printer under my direction.</p> <p>15 I further certify that the foregoing is a true</p> <p>16 and correct transcript of the testimony given at said</p> <p>17 examination of said witness.</p> <p>18 I further certify that reading and signing of</p> <p>19 the deposition were waived by the deponent and</p> <p>20 counsel.</p> <p>21 I further certify that I am not counsel,</p> <p>22 attorney, or relative of either party, or otherwise</p> <p>23 interested in the event of suit.</p> <p>24</p> <div style="text-align: center;">  <p>Kurt A. Fetzer, CRR Certification No. 100-RPR (Expires January 31, 2008)</p> </div> <p>DATED:</p>
<div style="text-align: right;">59</div> <p>1</p> <p style="text-align: center;">INDEX</p> <p>2 DEPONENT: MILDRED D. ALDERFER PAGE</p> <p>3 Examination by Mr. Beste 2</p> <p>4 Examination by Mr. Casarino 50</p> <p>5 Examination by Mr. Beste 55</p> <p>6</p> <p style="text-align: center;">EXHIBITS</p> <p>7</p> <p style="text-align: center;">H DEPOSITION EXHIBITS MARKED</p> <p>8 27 Three-page document captioned "Corporate</p> <p>9 Direct Bill Criteria March 2005" 13</p> <p>10 28 Document Bates stamp numbered DR0470-</p> <p>11 0561 20</p> <p>12 29 Letter to Robert K. Beste, III, Esq.</p> <p>13 from Stephen P. Casarino dated</p> <p>14 September 7, 2007 24</p> <p>15 30 Document Bates stamp numbered DR0609-</p> <p>16 0611 41</p> <p>17</p> <p>18 CERTIFICATE OF REPORTER PAGE 60</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p>	

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